



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended February 29, 2012; this period will be referred to as Year-to-Date (YTD) throughout this document. The monthly financial statement package includes statements for the following funds: General Fund, Land Use Fund, Capital Improvement Fund, Conservation Trust Fund, Open Space Fund, General Improvement District Funds, and the Centennial Urban Redevelopment Authority Fund. Readers are encouraged to consider the information presented here in conjunction with the unaudited financial statements attached to this report. In addition, please refer to the Executive Summary in the 2012 Annual Budget for an explanation of 2012 budget variances compared to the 2011 Adopted Budget.

Summary of the February, 2012 YTD Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

Revenues

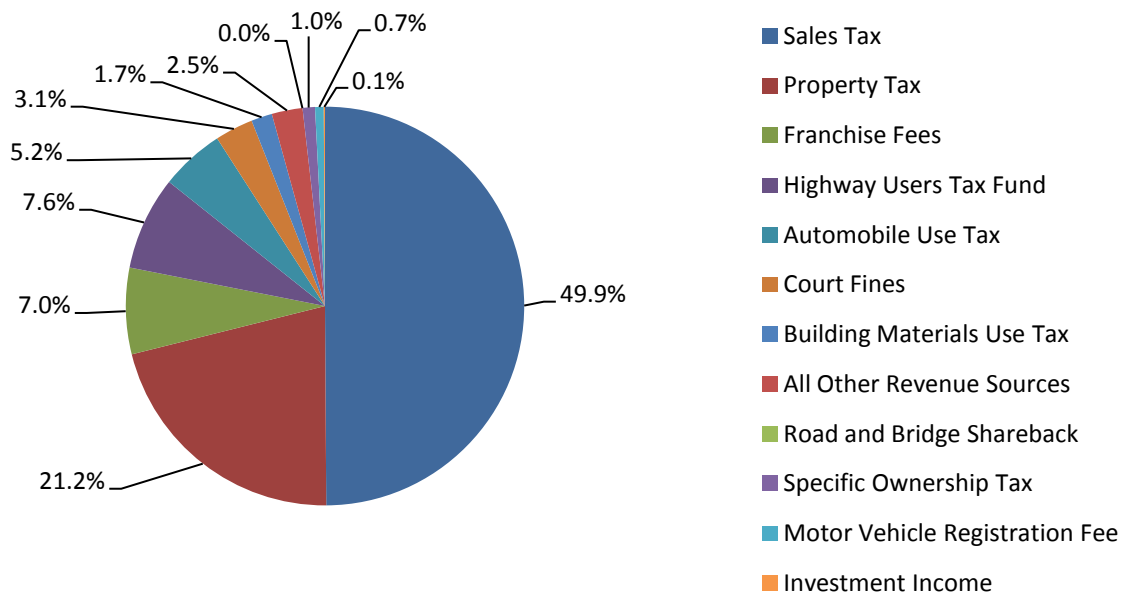
The following table is a summary comparison of the primary revenue sources YTD for 2011 and 2012:

(dollar amounts in millions)

	YTD 2012	YTD 2011	\$ Variance	% Variance
Retail Sales Tax	\$ 5.1	\$ 3.1	\$ 2.0	64.9%
Property Tax	2.2	1.7	0.5	28.1%
Building Materials Use Tax	0.2	0.3	(0.1)	-41.7%
Highway Users Tax Fund	0.8	0.7	0.1	16.2%
Franchise Fees	0.7	0.7	-	1.7%
Specific Ownership Tax	0.1	0.1	-	8.9%
Motor Vehicle Registration Fees	0.1	0.1	-	-30.4%
Automobile Use Tax	0.5	0.5	-	2.8%
Road and Bridge Shareback	-	-	-	-
Court Fines	0.3	0.3	-	-3.5%
Investment Income	-	-	-	8.5%
All Other Revenue Sources	0.2	0.2	-	14.3%
	<u>\$ 10.2</u>	<u>\$ 7.7</u>	<u>\$ 2.5</u>	<u>32.3%</u>

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

2012 YTD Revenues by Source, as a Percentage of Total Revenues



Retail Sales Tax

Retail Sales Tax revenue YTD 2012 is \$2.0 million or 64.9% more than collections YTD 2011. The increase of sales tax is from collections at Centennial Promenade, IKEA, out-of-City vendors and delinquent/audit revenue. Centennial Promenade was annexed into the City in April 2011 and IKEA opened in July 2011. The City has received approximately \$0.8 million in sales tax revenue from these entities not received YTD 2011. The City's retail sales tax licensing program continues to identify businesses outside of Centennial that should be licensed. Sales tax received from out-of-City vendors have increased by approximately \$0.1 million or 9.2% compared to YTD 2011. Over ninety-nine percent of businesses located inside the City are licensed, collecting and remitting sales tax. Efforts to maintain this high level of licensure for retailers located inside of the City is a priority.

Sales tax auditing and delinquent collection efforts also increase overall compliance with the City's ordinance. The City collected audit revenue totaling \$1.0 million more than collections YTD 2011.

The table below represents sales tax collected 2012 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2011.

2012 & 2011 YTD through February 2012 - Top 25 Sales by 4-digit NAICS Code

NAICS Description		2012 YTD	% of Total	2011 YTD	% Change
1	Furniture Stores	\$ 618,074	18.8%	\$ 62,488	889.1%
2	Full-Service Restaurants	301,453	9.2%	266,445	13.1%
3	Automobile Dealers	222,247	6.8%	201,422	10.3%
4	Electric Power Generation, Transmission and Distribution	208,923	6.4%	172,673	21.0%
5	Limited-Service Eating Places	205,434	6.2%	216,470	-5.1%
6	Wireless Telecommunications Carriers (except Satellite)	200,583	6.1%	186,817	7.4%
7	Grocery Stores	189,103	5.8%	175,065	8.0%
8	Sporting Goods, Hobby, and Musical Instrument Stores	176,217	5.4%	90,068	95.7%
9	Commercial and Industrial Machinery and Equipment Rental and Leasing	127,689	3.9%	124,717	2.4%
10	Other General Merchandise Stores	98,146	3.0%	142,111	-30.9%
11	Department Stores	97,245	3.0%	79,993	21.6%
12	Electronics and Appliance Stores	95,271	2.9%	62,591	52.2%
13	Beer, Wine, and Liquor Stores	85,434	2.6%	35,315	141.9%
14	Wired Telecommunications Carriers	83,757	2.6%	83,526	0.3%
15	Automotive Parts, Accessories, and Tire Stores	82,998	2.5%	96,306	-13.8%
16	Jewelry, Luggage, and Leather Goods Stores	81,124	2.5%	82,281	-1.4%
17	Automotive Repair and Maintenance	67,213	2.0%	63,450	5.9%
18	Health and Personal Care Stores	63,164	1.9%	54,869	15.1%
19	Other Miscellaneous Store Retailers	61,033	1.9%	41,710	46.3%
20	Home Furnishings Stores	50,415	1.5%	39,664	27.1%
21	Traveler Accommodation	47,909	1.5%	46,244	3.6%
22	Electrical and Electronic Goods Merchant Wholesalers	38,125	1.2%	41,626	-8.4%
23	Clothing Stores	33,979	1.0%	24,640	37.9%
24	Building Material and Supplies Dealers	27,703	0.8%	30,003	-7.7%
25	Direct Selling Establishments	27,206	0.8%	28,294	-3.8%
Total		\$ 3,290,446	100.0%	\$2,448,787	

*Total does not agree to sales tax revenue reported on the accompanying financial statements as this table only represents the top 25 NAICS codes and does not include audit revenue.

Property Tax

Property Tax revenue YTD 2012 is \$0.5 million or 28.1% more than collections YTD 2011. The timing of collections during the first few months of the year may vary from year to year, however the majority of property tax due is received by June each year. Property tax payments have three due dates throughout the year. The due date for a payment in full is April 30th and due dates for the two payment option are February 28th and June 15th.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2012 is \$0.1 million or 41.7% less than collections YTD 2011. This is due to a decrease in the total valuation of projects YTD 2012, which resulted in decreased use tax collections compared to YTD 2011 figures.

The total number of building permits issued YTD 2012 is 2.5% lower than the same period in 2011 and the total valuation of projects is 43.6% lower than during 2011. An examination of the types of permits issued indicates that there has been a decrease in the number of permits for new commercial projects and commercial remodels, and fewer permits for new residential projects. Even though the number of permits for residential remodels and smaller permits is higher YTD 2012, the total valuation of the permits is lower.

Highway Users Tax Fund

Highway Users Tax Fund (HUTF) revenue YTD 2012 is \$0.1 million or 16.2% more than collections YTD 2011. This increase is primarily due to a 12.5% increase in the City's monthly HUTF distribution ratio. This ratio is calculated based upon the total number of motor vehicle registrations in the City compared to the total number of registrations in the State. The State's current fiscal year began in July 2011, which is when the City's increased distribution ratio took effect.

Motor Vehicle Registration

Motor Vehicle Registration Fee revenue is less than \$0.1 million, or 30.4% less than collections YTD 2011. The decrease is due to an overpayment for January, 2011 of \$30,000 by Arapahoe County which was adjusted in the payment distributed during April 2011 for Motor Vehicle Registration fees collected in February 2011.

Investment Income

Investment Income YTD 2012 is less than \$0.1 million, or 8.5% more than collections YTD for the same period in 2011. This increase can be attributed to the implementation of the City's new investment policy and investment strategy. This investment strategy takes into account the City's investment objectives of Safety, Liquidity, Yield, and Diversification. City staff anticipates that the City's overall investment yield will increase in future months as a result of implementing this new investment strategy.

	<u>2011</u>	<u>2012</u>	<u>Difference</u>
Weighted Average Yield	0.16%	0.23%	0.07%

Expenditures

Total expenditures and transfers YTD are \$0.1 million or 1.2% less than expenditures YTD in 2011. The net decrease is attributable to variances in the Nondepartmental, Human Resources and Risk Management Services, and Public Works departments, as well as Land Use and Capital Improvement Fund transfers.

- Nondepartmental expenditures are \$0.2 million more than expenditures YTD in 2011. This increase is due to incentive payments for agreements associated with Centennial Promenade, which were not made at the beginning of 2011.
- Human Resource and Risk Management Services expenditures are \$0.1 million more than expenditures YTD in 2011. This increase is partially related to personnel vacancy savings realized at the beginning of 2011. There has also been an increase in expenditures related to payroll processing costs as a result of converting to a new payroll processor in 2012. Additionally,

personnel recruitment service costs have increased over 2011 figures due to the recruitment of a new City Manager.

- Public Works expenditures are \$0.1 million less than expenditures YTD in 2011. This decrease is primarily due to lower snow removal and vehicle fuel costs incurred YTD in 2012, as compared to 2011 figures.
- Land Use Fund Transfers are \$0.1 million less than transfers YTD 2011. This decrease is primarily due to lower expenses YTD compared to the prior year for personnel costs and bus bench project costs. Personnel costs are lower during the current year compared to the prior year due to the transfer of 3.5 FTE positions to the Public Works department.
- Capital Improvement Fund Transfers are \$0.2 million less than transfers YTD 2011. This decrease is due to lower expenditures YTD in the Capital Improvement Fund for projects associated with new street construction, the street rehabilitation program, and the Vista Verde neighborhood improvements.

GENERAL FUND – COMPARISON TO BUDGET

The City's annual budget is examined on a monthly basis and year to date actual receipts and expenditures are compared to the budget on a line item or departmental basis. Monthly budget allocations represent a portion of the annual budget that is assigned to each month for comparative purposes. The allocation amount may be either 1/12th of the total amount budgeted for the year, or a specific percentage for that month based on actual receipts or expenditures in prior years. The analysis below compares year to date actual amounts to the year to date 2012 budget amounts.

Revenues

The following table is a summary comparison of primary revenue sources; the table compares actual revenue compared to budget.

	<i>(dollar amounts in millions)</i>			
	Actual YTD 2012	Budget YTD 2012	\$ Variance	% Variance
Retail Sales Tax	\$ 5.1	\$ 3.1	\$ 2.0	63.6%
Property Tax	2.2	1.5	0.7	45.8%
Building Materials Use Tax	0.2	0.2	-	-3.4%
Highway Users Tax Fund	0.8	0.6	0.2	30.1%
Franchise Fees	0.7	0.7	-	4.1%
Specific Ownership Tax	0.1	0.1	-	3.2%
Motor Vehicle Registration Fees	0.1	0.1	-	-0.2%
Automobile Use Tax	0.5	0.5	-	13.8%
Road and Bridge Shareback	-	-	-	-
Court Fines	0.3	0.4	(0.1)	-11.1%
Investment Income	-	-	-	2.1%
All Other Revenue Sources	0.2	0.2	-	30.9%
	<u>\$ 10.2</u>	<u>\$ 7.3</u>	<u>\$ 2.9</u>	<u>40.7%</u>

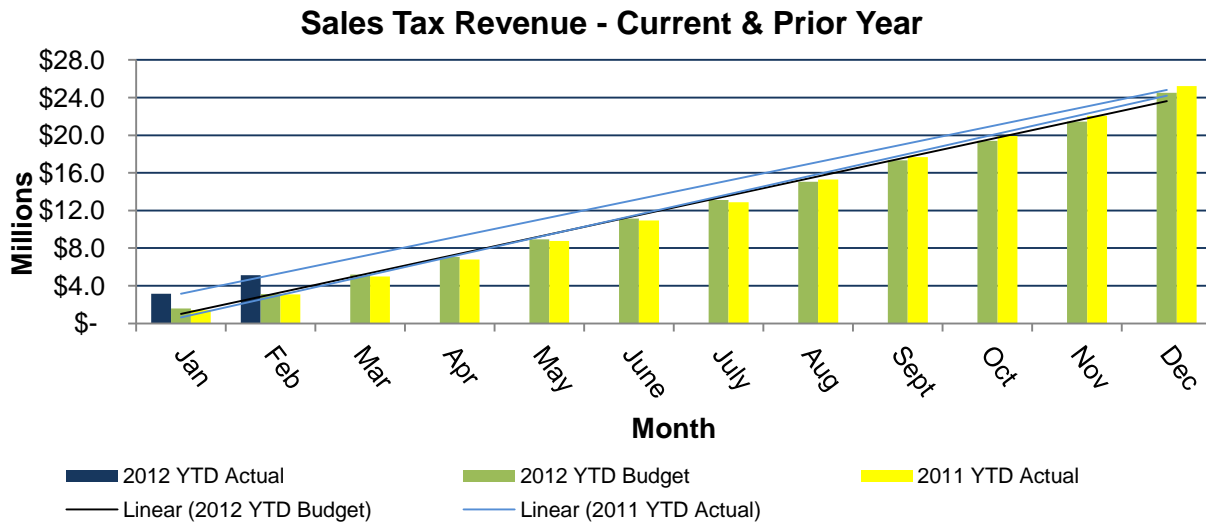
Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

Retail Sales Tax

Retail sales tax revenue YTD is \$2.0 million, or 63.6% favorable compared to budget. This favorable variance is mainly due to the collection of one-time sales tax audit receipts. The audit revenue receipts YTD 2012 are \$1.1 million favorable compared to budget.

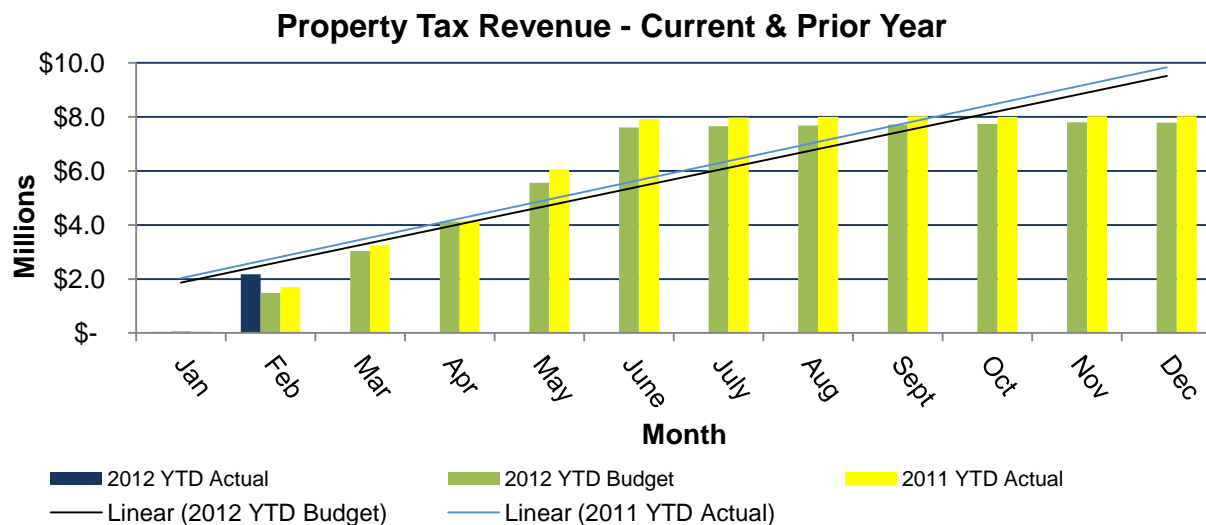
Additionally, sales tax revenues have been conservatively budgeted due to the uncertain economic environment. However, despite current economic conditions, the City continues to see an increase in the

City's sales tax base. The sales tax base represents all of the sales tax paid to the City that is not attributable to audit or delinquency revenue. The City continues to identify and license retailers that should be collecting and remitting City sales tax. The majority of the increase in the sales tax base as described is from sales tax collected from outside the City retailers and new businesses opened inside the City. This source of additional sales tax from outside the City vendors and new City businesses, which is not included in budget projections, is \$0.9 million YTD.



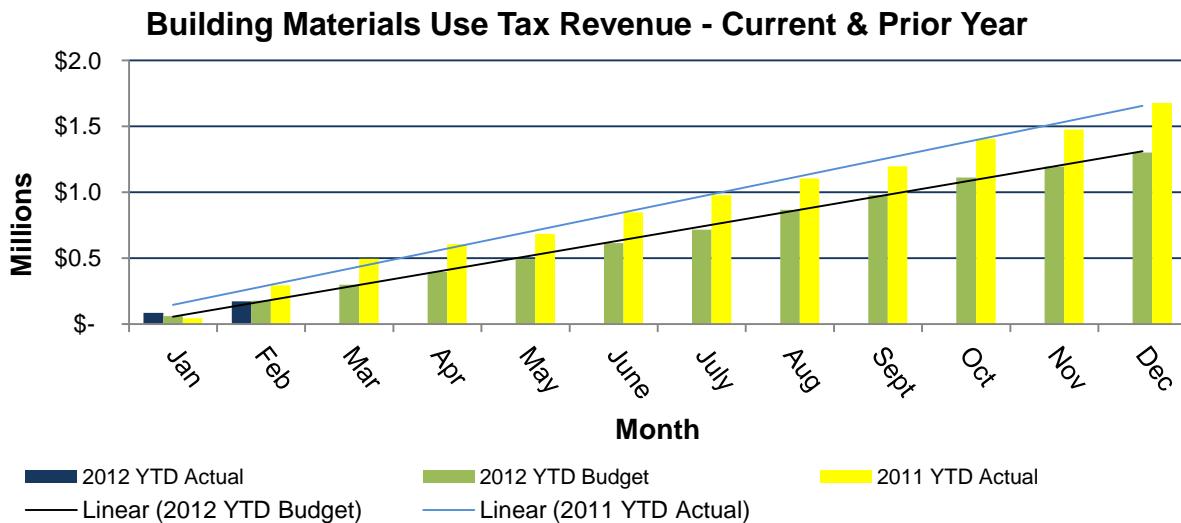
Property Tax

Property Tax revenue YTD is \$0.7 million, or 45.8% favorable compared to budget. This favorable variance is due to the timing of property tax payments as compared to the monthly budget allocations; monthly budget allocations are based on receipts for the same period in prior years. The City receives property tax collections from the Arapahoe County Treasurer's office and these collections are based on actual collections from property owners.



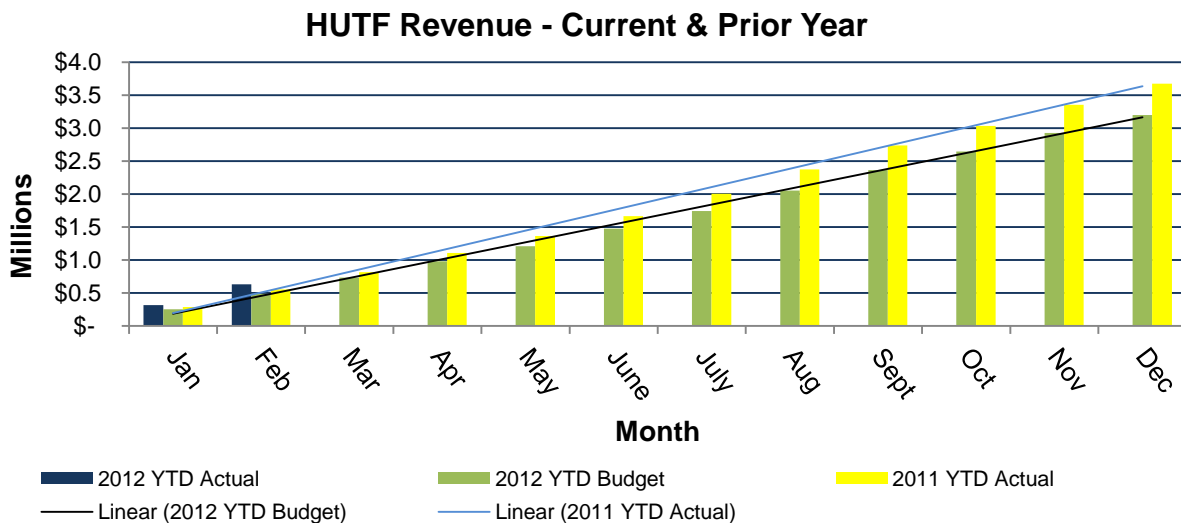
Building Materials Use Tax

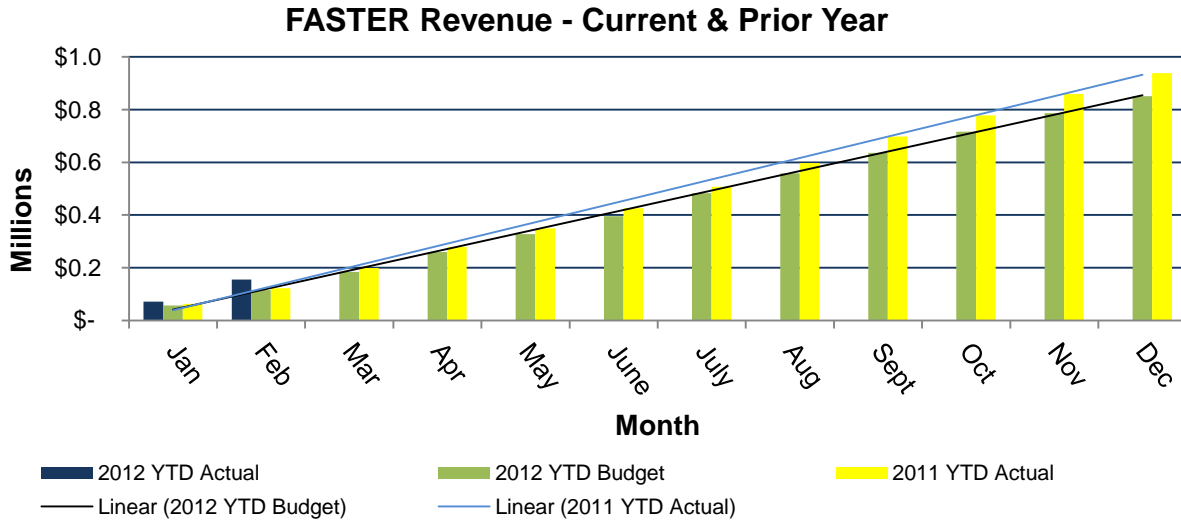
Building Materials Use Tax revenue YTD is consistent with the budget.



Highway Users Tax Fund

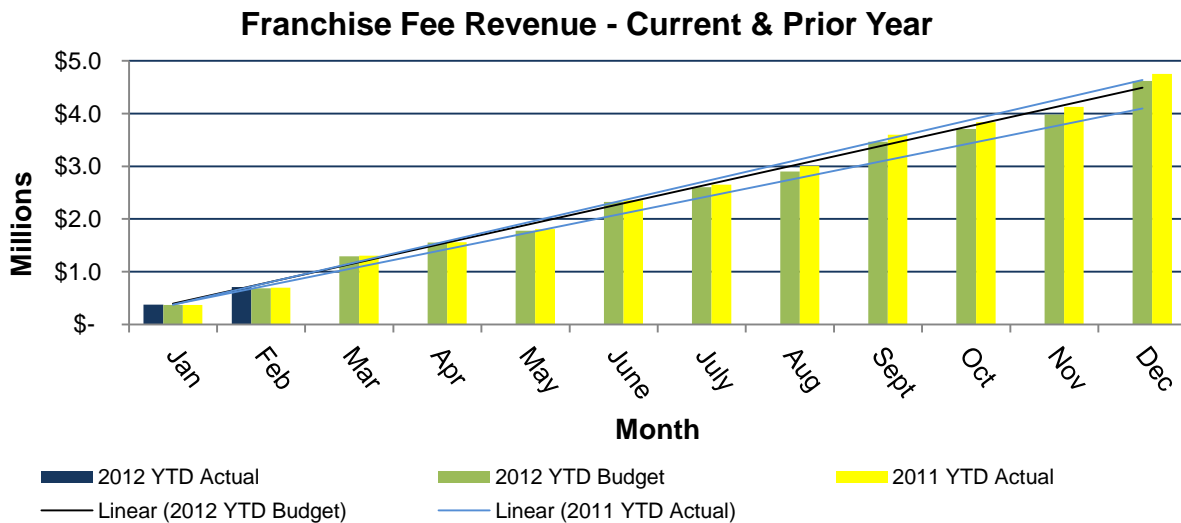
Highway Users Tax Fund revenue YTD is \$0.2 million, or 30.1% favorable to budget. This favorable variance is due to an increase of 12.5% in the City's HUTF distribution ratio which took effect in July 2011. This increase to the City's distribution ratio was not included in the 2012 budget.





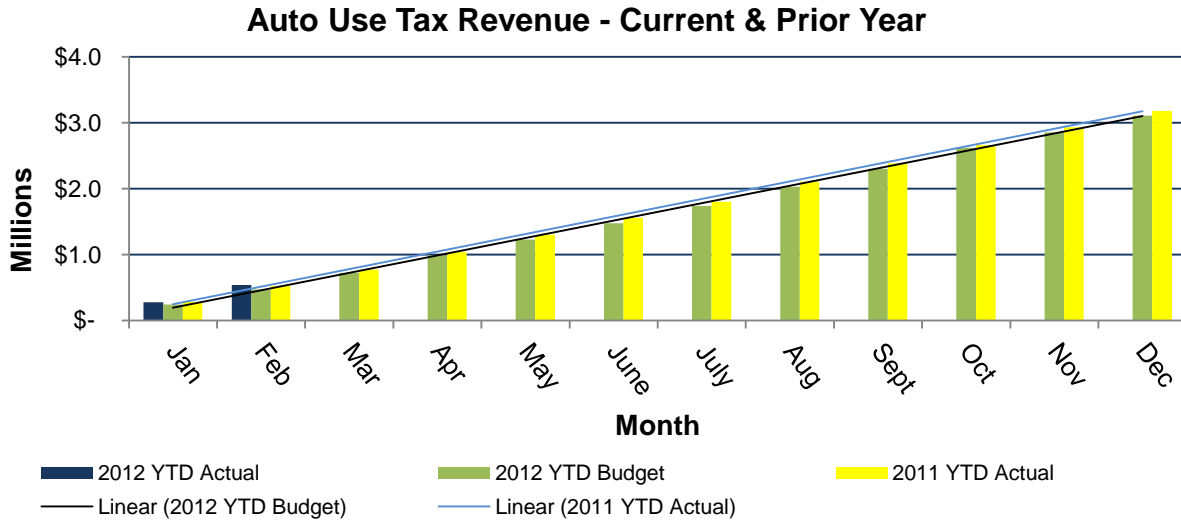
Franchise Fees

Franchise Fee revenue YTD is less than \$0.1 million, or 4.1%, favorable compared to budget. This favorable variance is due to electric franchise fee collections. Electric franchise fee amounts are determined based upon individual household and commercial usage. The favorable variance is partially offset by an unfavorable variance in gas franchise fee revenue most likely due to lower usage as a result of more mild weather at the beginning of the year.



Automobile Use Tax

Automobile Use Tax revenue YTD is less than \$0.1 million, or 13.8% favorable compared to budget. The economic recovery has an unpredictable impact on automobile sales. However, information on the automobile industry indicates an overall increase in new car sales at the state and national levels. The budget for this revenue was estimated conservatively for 2012.



Investment Income

Investment Income revenue YTD is less than \$0.1 million, or 2.1% favorable compared to budget. This increase is attributable to the implementation of the City's new investment strategy.

Expenditures

Total expenditures and transfers YTD are \$0.7 million, or 8.4% favorable compared to budget. The net overall favorable variance is primarily due to the City Manager's Office, Nondepartmental and Public Works departments.

- City Manager's Office expenditures are \$0.1 million or 28.9% favorable to budget. This favorable variance is primarily due to personnel vacancy savings realized YTD which were not included in budgeted figures.
- Nondepartmental expenditures are \$0.3 million or 55.3% favorable to budget. This favorable variance is primarily due to lower than anticipated expenditures related to incentive agreement payments. This favorable variance is expected to diminish throughout the year.
- Public Works expenditures are \$0.1 million, or 6.1% favorable to budget. This favorable variance is due to cumulative department savings in areas such as snow removal, vehicle fuel costs, and utilities.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD is less than \$0.1 million, or 7.8% less than revenue collected during the same period in 2011. This decrease is primarily due to a decrease in permit and plan review fees.

Expenses

- Expenses YTD are \$0.1 million, or 29.4% less than expenses YTD for the prior year. This decrease is primarily due to lower expenditures related to salaries and benefits and the Bus Bench project. Salaries and benefit expenditures YTD have decreased compared to the prior year due to the transfer of 3.5 FTE positions to the Public Works department in the General Fund.

Comparison to Budget

Revenue

- Revenue received YTD is consistent with the amount budgeted.

Expenses

- Expenses YTD are consistent with the amount budgeted.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD is \$0.1 million, or 96.2% less than revenue collected YTD 2011. This decrease is due to a reduction in federal grant revenue and other contributions.

Expenditures

- Expenditures YTD are \$0.5 million, or 81.0% lower than expenditures YTD during the prior year. This decrease is due to the timing of expenditures related to new street construction, the street rehabilitation program, and Vista Verde neighborhood improvements as compared to 2011. This favorable variance is anticipated to diminish as capital projects get underway in 2012.

Comparison to Budget

Revenue

- Revenue YTD is less than \$0.1 million, or 43.2% unfavorable compared to budget. This unfavorable variance is due to lower than anticipated collections for pavement restoration fees.

Expenditures

- Expenditures are less than \$0.1 million, or more than 100% unfavorable compared to budget. This unfavorable variance is primarily due to the timing of expenditures compared to budget allocations for projects related to traffic signals, traffic control and the transportation master plan. As carry-forward amounts from 2011 are approved this unfavorable variance will diminish.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- There have been no lottery proceeds received YTD as this revenue is received quarterly. Investment income is below YTD 2011 collections.

Expenditures

- Expenditures YTD 2012 are in line with expenditures YTD during the prior year.

Comparison to Budget

Revenue

- There have been no lottery proceeds revenue received YTD as this revenue is received quarterly. Investment income is below YTD budgeted figures.

Expenditures

- Expenditures YTD 2012 are in line with budgeted figures.

OPEN SPACE FUND

Comparison to Prior Year*Revenue*

- Open Space Fund revenues are received from the Arapahoe County Open Space Sales Tax and Investment Income. The County distributes fifty percent of revenue derived from the 0.25% tax based on population to incorporated cities and towns to help enhance their parks, trails and open spaces. This revenue is distributed by June 1st of each year based on collections from May 16th of the prior year through May 15th of the current year. The revenues are invested until the time they are used and the investment income is allocated directly to the fund. Investment income is below YTD 2011 collections.

Expenditures

- Expenditures YTD are \$0.1 million, or 96.3% less than expenditures YTD during the prior year. During 2011, Open Space funds were utilized for open space maintenance and legal services. Open Space funds YTD 2012 have been used for trails.

Comparison to Budget*Revenue*

- Open Space revenue is not received until mid-year. Investment income is higher than YTD budgeted figures.

Expenditures

- Expenditures YTD 2012 are in line with budgeted figures.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year*Revenue*

- Revenue received YTD for the consolidated GID Funds is less than \$0.1 million, or 62.1% more than revenues collected YTD 2011. This favorable variance is primarily due to the timing of property tax receipts compared to the prior year.

Expenditures

- Expenditures YTD are less than \$0.1 million, or more than 100% more than expenditures YTD during the prior year. This increase over 2011 YTD expenditures is a result of split railing fencing being installed within the Foxridge GID in 2012.

Comparison to Budget*Revenue*

- Revenue received YTD is less than \$0.1 million, or 60.4% favorable compared to YTD budget. This is due to the timing of property tax receipts, which are expected to be in line with the budget by mid-year when the final property tax payments are due.

Expenditures

- Expenditures are less than \$0.1 million, or 54.5% favorable compared to budget. This favorable variance is primarily due to the timing of expenditures compared to budget allocations. This favorable variance is expected to diminish throughout the remainder of the year.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND

Comparison to Prior Year

Revenue

- Revenue received YTD is \$1.1 million, or more than 100.0% more compared to the prior year. This favorable variance is due to higher property tax collections for The Streets at SouthGlenn as a result of higher assessed property valuations. Said valuations increased \$4,054,360 or 12.3% compared to the prior year.

Expenditures

- Expenditures YTD are \$1.1 million, or more than 100% more compared to prior year expenditures. This increase is a result of higher Property Tax Pass-thru payments by the Authority to the Southglenn Metropolitan District due to higher property tax collections for The Streets at SouthGlenn.

Comparison to Budget

Revenue

- Revenue received YTD is \$1.0 million, or more than 100.0% favorable compared to budget. This favorable variance is due to a large increase in assessed property valuation during 2011, in addition to the timing of property tax payments compared to monthly budget allocations. Monthly budget allocations are based on receipts for the same period in prior year.

Expenditures

- Expenditures are \$1.0 million, or more than 100% unfavorable compared to budget. This unfavorable variance is primarily due to the timing of budget allocations related to the property tax pass-through payments by the Authority to the Southglenn Metropolitan District.